

Executive Summary

A region that does not have a growing percentage of its non-professional workforce trained beyond the high school level will have increasing difficulty in supporting the competitiveness of high-value business.¹

Introduction

Two of Greater Philadelphia's leading economic development organizations—the Strategy 21 partnership of regional organizations² and Greater Philadelphia First—have sought in recent years to increase their understanding of the region's competitive economic position. Both have concluded that workforce quality and workforce development are issues central to economic competitiveness, and both are concerned that the region is not developing the competitive workforce that employers demand. This is particularly true with regard to developing a technical workforce—those skilled workers typically educated beyond high school but not necessarily at the baccalaureate level.

To better define and help seek solutions to the region's technical workforce problem, members of Strategy 21 and Greater Philadelphia First came to the Pennsylvania Economy League with the following question: How can the region's workforce development system offer a cutting-edge labor pool of sufficient quality and size to meet the demands of globally competitive businesses? This report seeks to answer that question by examining workforce issues from the perspective of the region's employers. This report is limited in scope to that portion of the workforce that Greater Philadelphia seems to lack—the technical workforce; it does not address disadvantaged or displaced workers, those targeted by welfare-to-work programs, or the upper tier of the workforce frequently referred to as “knowledge workers.”

The American Economy and the American Workforce

The U.S. economy is in the midst of its most significant transition since the industrial revolution. Fiercely competitive global markets, the drive for increased productivity, and the application of advanced technology have forced a critical change in employers' workforce needs and the role of the workforce as a key contributor to economic competitiveness. As industries have shifted away from labor-intensive operations toward high-value processes, there has been a shift in the way work is performed. Work is no longer organized hierarchically to perform rote tasks, and it is increasingly organized in more flexible structures. To compete in this world, employers are seeking workers with more education, higher skills, and a broader range of behavioral competencies.

National workforce statistics reflect the trend: since 1940, unskilled and semi-skilled blue-collar workers have declined as a portion of the workforce from 28 percent to 16 percent.³ Replacing these workers is a rapidly expanding category of higher-skilled labor force participants frequently referred to as “technical” workers. One category of these workers—“technicians and related support”—is the Department of Labor's fastest-growing occupational group—expanding

¹ SRI International, *Gaining the Lead in the Global Economy*, p. 24.

² For a list of Strategy 21 members, please see Appendix A.

³ Stephen R. Barley, *What do Technicians Do?*, p. 1.

57 percent from 1979 to 1992 and projected to grow 32 percent more by the year 2000.⁴ The specialized expertise of these technical workers—who today span occupations as diverse as CNC operators, computer-aided drafters, electronic technicians, medical laboratory technicians, and network engineers—is increasingly important to the global economic competitiveness of cutting-edge companies.

The shifts in employer demand for workers are mirrored by shifts in the educational attainment of the U.S. workforce. The proportion of workers with no more than a high school education dropped by a third from 1980 to 1995, while the portion of the workforce attaining higher education grew by 58 percent. These national statistics confirm what anecdotes and high school guidance counselors have long suggested—that a high school education no longer guarantees rewarding and secure employment in the new economy.

Forward-thinking regions that are growing and securing their place in the global economy recognize the importance of responding to these changes in employment and their impacts on the workforce. Such regions concentrate on developing a pipeline of technical workers and on providing opportunities for companies and employees to upgrade workforce skills. The sheer speed of technological change makes upgrading skills at least as important as preparing new workers. A leading site selection firm, PHH Fantus Consulting, notes that “trainability,” is a “crucial feature” of workforce competitiveness, and one which companies are coming to judge by the educational attainment of the available labor pool.⁵

Greater Philadelphia's Economy and Workforce

In recent years, Greater Philadelphia has missed out on the post-recession growth experienced by other regions. Despite a proud tradition of leadership in higher education, the region's workforce remains relatively undereducated, particularly for that portion of the workforce attaining an associate's degree or some other form of higher education below the baccalaureate degree. Indeed, an analysis of educational attainment across Greater Philadelphia and seven benchmark regions reveals that this region's workforce ranks last in its percentage of workers with postsecondary training below a baccalaureate degree.

The analysis also reveals that Greater Philadelphia's workforce is polarized in its educational attainment, having a large pool of workers without any education beyond high school and an above-average sized pool of college-educated workers. Where the region comes up short is in workers who have pursued that middle ground of higher education and training available at community colleges and technical schools. Concerns about the underdevelopment of this portion of the workforce become more pronounced as employers here and across the nation raise the hiring stakes by demanding a new class of worker—one possessing a broad range of basic, technical, and other skills. What makes the region's underdevelopment in this area particularly troubling is that such talent is not efficiently imported from other regions. Greater Philadelphia has no choice but to grow its own technical workers.

Answering the Call to Compete

If Greater Philadelphia's economy were growing and if regional employers expressed satisfaction with the quality of the workforce, then workforce issues would be of little concern. Yet the regional economy is not growing at nearly the pace of the national economy, and existing

⁴ George T. Silvestri, “Occupational employment: wide variations in growth,” p. 59.

⁵ PHH Fantus Consulting, *Benchmarking Assessment for the Commonwealth of Pennsylvania*, p. 70.

survey data and PEL's interviews reveal that employers are frustrated with the workforce and concerned about its future competitiveness.

Will the "market"—interactions between employers, employees, and educational institutions—work to correct this imbalance between supply of skills and demand for skills? History suggests that it will not. The marketplace for workforce development needs and services in Greater Philadelphia has performed poorly to date. Except in those instances where a third party has emerged to help join supply and demand, the region's employers are left to fend for themselves, to settle for a less-than-qualified workforce, or to move operations to locations that have a workforce more attuned to employers' skill needs. There has been no strong voice articulating shared workforce needs across the employment spectrum, no clear "market makers" to bring educational institutions and employers into alignment.

One reason that market-making has been difficult in Greater Philadelphia is that the region lacks dominant employers who can by themselves create a constituency to be served. The process is also made more difficult by the diversity of the region's economy, by the distribution of employers across a geographic region that spans numerous political jurisdictions, and by the historically fragmented nature of public-sector leadership on workforce issues. Even as the community colleges in Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties have developed business and industry outreach programs, they have found it difficult to discern employers' workforce needs and meet their demands for training.

For Greater Philadelphia to meet the workforce development challenge it faces, it must learn from other regions that have gained a reputation for success in workforce development. While the workforce training market operates inefficiently in this region, other regions have demonstrated that joint private-public leadership can build strong and productive relationships between employers, economic development officials, and educators.

Advancing a Regional Response

To break out of its current economic stagnation, Greater Philadelphia's public- and private-sector leaders must demonstrate to companies here and around the world that the region is capable of providing the quantity and quality of workers they demand. Not until then can the region look forward to the economic benefits that accrue from meeting the immediate training and skill needs of companies and developing the long-term strategies that support a growing pool of technical workers.

How can Greater Philadelphia's business, education, and economic development leaders respond to the challenge? There are several choices—simply let the market work as best it can, respond ad hoc to threats and opportunities, look to the state for leadership, or develop new regional capacity to address workforce needs.

Let the Market Work: Frustration with the current workforce development system has led many in the business community to conclude that they will try to solve their workforce problems by themselves. In its interviews, PEL noted a healthy skepticism on the part of many employers about the ability of public policy and publicly funded programs to develop the innovative solutions that have become accepted practice in other regions.

History suggests that the region's diverse economy and lack of dominant employers have made it difficult for the market to bring the workforce into alignment with employer needs, and it seems unlikely that the market will work more efficiently in the future.

Respond to Threats and Opportunities: Over the past few years, the region has experienced several events—either threats or opportunities—that have spurred action and innovation in workforce development. The closing of the Philadelphia Naval Shipyard, for example, brought about the creation of the Shipyard College, a collaborative effort of regional community colleges and Drexel University to provide education and training to displaced Naval Yard workers. In somewhat similar fashion, current changes in the health care economy have motivated activity among hospital officials and labor unions to provide retraining to displaced workers.

While this strategy has resulted in some notable innovations, it remains a fragmented and sporadic approach, and it does not build long-term capacity. Indeed, it is typically focused on meeting the needs of displaced employees rather than existing and future employers. If the region is to build a reputation for the quality of its workforce and its workforce development infrastructure, it must build capacity in a more comprehensive fashion. Trying to create that capacity piecemeal to respond to a crisis or an opportunity is an incomplete solution.

Look to Harrisburg: Throughout the country, state governments have become the leaders in using workforce development to improve economic competitiveness. In recent years, Pennsylvania's state government has begun to focus on workforce issues. The 1996-97 state budget contained a significant increase in funding for Customized Job Training, an employer-focused skills development program created in the early 1980s, and it funded two new workforce development pilot programs. Pennsylvania's long tradition of local autonomy, however, will make it difficult to pursue strategies like those that have helped other states succeed. In states like the Carolinas, the government directly employs community colleges in workforce and economic development; Pennsylvania, on the other hand, does not currently have in place the structural and financial levers to effect sweeping change in its community college system.

Create New Regional Capacity: Workforce competitiveness transcends political boundaries—few companies draw all of their workforce from one county or city, and many workers travel across county and even state borders to find employment. Regions that have successfully integrated workforce development with economic development have forged strong alliances between the business community, the economic development community, and the educational community to create policies and strategies that work across geographic boundaries.

Given employers' skepticism about existing programs, the fragmentation of the existing training infrastructure, and the slow pace of change in state workforce policy, building new regional capacity to address workforce issues comprehensively may be the most effective way to build a world-class workforce. From this perspective, what is needed is a new regional body solely focused on meeting the current and future workforce needs of a competitive economy. This new entity must be a partnership of public- and private-sector entities and must become the region's leader in workforce development.

A framework in which such a partnership could create a regional approach to workforce development follows.

Creating a Partnership for Workforce Competitiveness

Crafting a workforce development strategy that identifies both long- and short-term initiatives, that bridges the geographic boundaries of a regional economy, and that is responsive to the needs and concerns of both employers and educational providers requires a new way of thinking for the region's economic development leaders. First and foremost, the agenda of a new partnership for technical workforce development must be driven by employer needs and private-sector standards. In addition, it must be an equal partner with existing economic development

organizations, and it must engage the region's education and training institutions in a performance-oriented relationship with private-sector employers.

A workforce development partnership, operating under the principles outlined above, must then provide the leadership necessary to:

- integrate workforce and economic development policy and practices;
- develop a flexible education and training system to address short-term workforce needs;
- facilitate business partnerships and access to education/training resources; and
- develop a long-term strategy for improving regional workforce competitiveness.

Looking forward, it is important to recognize that the quality of the region's workforce cannot be improved overnight—it will require a long-term commitment. Greater Philadelphia must also recognize that workforce development is not something you fix once and then let be. All members of the region's economic development community—private and public leaders, educators, and the workers themselves—must be committed to ongoing investments and continuous improvements in workforce development.